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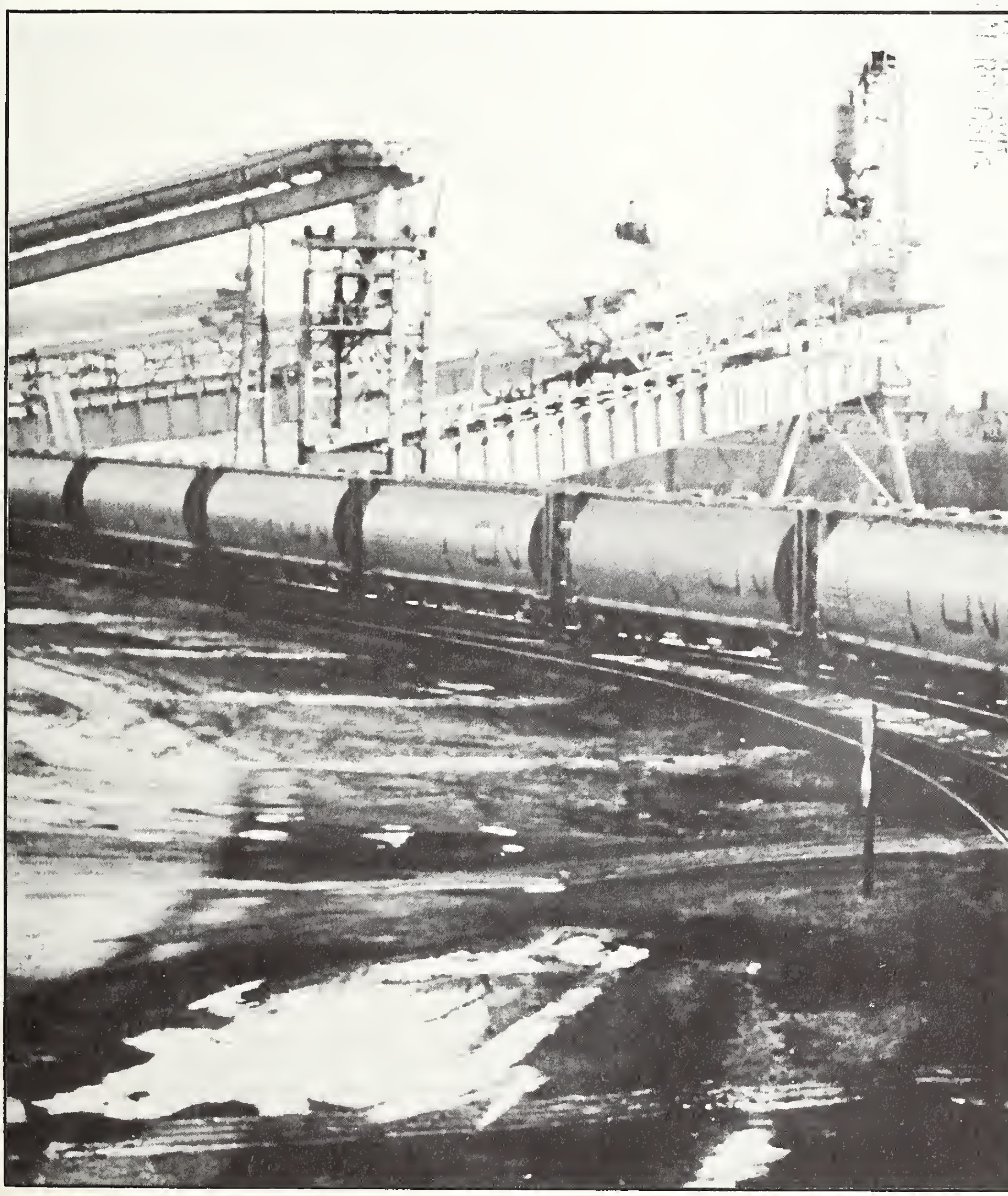

A unit train of Canadian wheat arrives at a Vancouver pier for export. Rail transport costs figure significantly in Canada's grain prices.

U.S. Cotton's Share Of European Market Stabilizes After Dip

By Christopher E. Goldthwait

Cotton from the United States faces intense competition in the declining West European market from other raw cotton suppliers, textile imports, and manmade fibers. Still, significant opportunities exist for U.S. cotton exports in several countries such as Portugal, where textile activity is expanding. In some countries, imports of U.S. cotton have been increasing. This, together with the moderation of some of the factors that have discouraged U.S. cotton exports, suggests that the U.S. market share in Western Europe may now stabilize.

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Although U.S. cotton exports to Western Europe have been trending downward in recent seasons, some of the conditions that have discouraged these exports are moderating, and stabilization of shipments at or near current levels now seems likely.

The decline in U.S. cotton exports to Western Europe has been attributed to several factors, including the depressed condition of the European textile industry as well as competition from other suppliers, synthetic fibers, and imported textile products.

However, in a few countries—including Spain, Portugal, and Greece, which have growing textile industries—the U.S. market share has been increasing.

The effects of the textile recession may be seen in the changes in raw cotton consumption in the European Community (EC) countries.

By the early 1970's cotton usage in the EC had begun to edge downward, and under the impact of the recession consumption dropped 12 percent between 1973/74 and 1974/75 to a 20-year low of 3.6 million bales (480 lb net).

The EC textile industry has since been struggling upward from this low, and although consumption had recovered by about 100,000 bales by 1976/77, prospects for the 1977/78 season are bleak and mill consumption may fall back to only 3.4 million bales—sharply below the average consumption of 5.2 million bales during the 1960's.

The decline of EC cotton textile production has been only partly offset by increases in output elsewhere on the Continent. In Spain, Portugal, and Greece—where labor costs are lower—consumption neared prerecession levels in 1976/77, and in the latter two countries further expansion is anticipated in 1977/78.

Greece, which has doubled cotton usage since 1971/72, has benefited from—among other things—its position as the only major cotton producer in Europe.

Switzerland is unique among the more heavily industrialized European countries in having maintained the level of its cotton-mill consumption. The strength of the domestic economy and the high quality of export products enabled Swiss mills to use a record 216,000 bales of cotton in 1976/77.

For Europe as a whole, however, 1976/77 consumption of 5.7 million bales was still 3 percent below the 1973/74 level, with the possibility of further deterioration in the consumption rate during 1977/78. This situation was reflected in total cotton imports, which in 1976/77 were estimated at 4.8 million bales, compared with 5.2 million bales in 1973/74.

Two factors—beside general economic conditions—are particularly important in accounting for the slow recovery in cotton consumption in Europe.

One is competition from manmade fibers. Although cotton has expanded its share of yarn and fabric produced on the cotton spinning system, pressure from manmade fibers has continued to be strong on a price basis.

The experience of the German textile industry is a case in point. After selling above cotton prices for several years, domestic polyester in West Germany became less expensive during the sharp runup in both cotton and polyester prices that occurred in 1973.

Although cotton prices moved down again more rapidly than polyester prices, synthetic fiber regained the price advantage in mid-1975

and has since generally undersold cotton significantly.

Low polyester prices in West Germany and elsewhere result in part from excess production capacity, which has afflicted European manmade-fiber manufacturers and led to highly competitive pricing.

The other major factor that has adversely affected the spinning industry in Western Europe—textile imports—hurts manmade producers as well as cotton spinners.

During the past several seasons, textile imports have grown substantially. On a value basis, one-quarter of all textile products sold in the United Kingdom are now imported. In Italy, cotton-yarn imports have risen to more than a third of the weight level of domestic yarn production.

Sweden may be the hardest hit—its cotton yarn production has fallen from nearly 19,000 tons in 1965 to only 5,700 tons in 1976, or from 68 percent of total supply to only 37 percent.

While the size of the raw-cotton market in Europe has declined, U.S. cotton has faced increasing competition from other producing countries as well.

The decline of the U.S. share of cotton sales is sharpest in imports by EC countries. Between 1972/73 and 1976/77, the U.S. market share declined from 17 percent to 10 percent (based on 1976/77 data complete through June for Germany, Ireland, and the Netherlands; through April for Italy).

Most of the loss went to the Soviet Union, which increased sales from 12 to 26 percent. While overall imports by the EC fell by more than 1 million bales to 3.2 million bales, imports from the USSR rose in absolute terms from 570,000 bales to 815,000 bales.

In the four largest markets—France, Germany, Italy, and the United Kingdom—the Soviet Union's market share is largest in France (36 percent), while U.S. cotton is strongest in Italy (19 percent).

Despite the relatively poor showing of U.S. cotton in 1976/77, this represented a substantial recovery from the prior season's level, when U.S. exports to EC countries fell to only 6 percent of total imports. This was because U.S. domestic demand recovered more rapidly than European demand from the bottom recession levels of 1974/75, pushing U.S. cotton prices above those of other suppliers during most of calendar 1975 and early 1976.

Increased competition in West European cotton markets from the Soviet Union is a result of several factors. The USSR over the past three decades has steadily expanded its cotton production, and its production level is now sufficient to supply most needs of domestic and East European markets with additional supplies available for hard-currency exports.

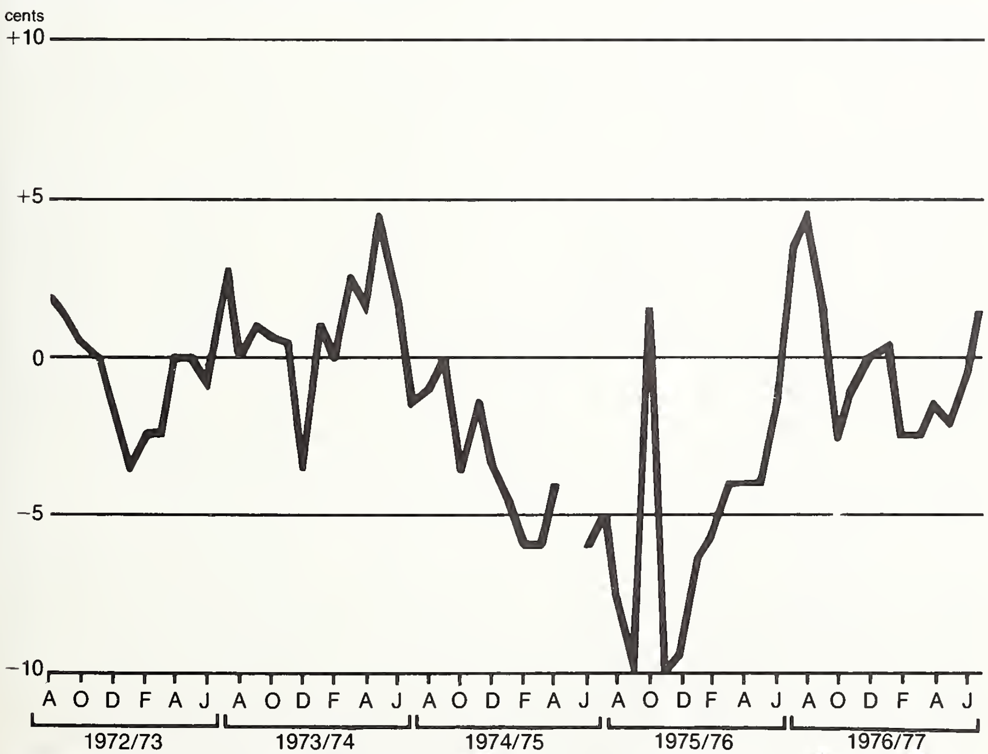
The apparent decision to continue expanding cotton production in high-yielding irrigated land in Central Asia and the aggressive marketing policy for cotton—the USSR's highest value agricultural export—indicate the Soviet desire to maximize hard-currency earnings.

Proximity of the Soviet Union's Baltic ports to foreign markets also is an important factor in sales to Europe, since shipments thus can be kept on a regular, less expensive basis.

Aside from these fundamental factors, the Soviet Union apparently also is competitive on grounds of price, reliability, and quality. Soviet cotton is highly price competitive—often priced below corresponding U.S. growths in North European markets.

Also, the USSR has made

North European Price of USSR Pervyi in Relation to U. S. SM 1-1/16" (Memphis)



great progress in increasing the dependability and timeliness of supply.

Lastly, the quality of Soviet cotton when it reaches the mill fits European needs very well. Large, even-running lots with good spinning qualities reportedly are available—a result of proper care by Soviet shippers and the practices of European dealers—mainly French and German—who buy and subdivide large quantities of Soviet cotton.

These dealers often are able to provide attractive credit arrangements, as well.

The Soviets also sell for the currency of the purchasing country, which eliminates obstacles caused by currency fluctuation between contracting and delivery. Favorable exchange rates are frequently available to West European buyers of Soviet cloth.

The juxtaposition of declining U.S. and larger USSR sales in the EC is part of a larger pattern involving traditional and newer suppliers to the EC.

The market shares of two other groups of traditional suppliers—the Central and South American countries (Mexico, Nicaragua, Guatemala, El Salvador, Brazil, Argentina, Colombia, Peru, and Paraguay) and Mideastern countries (Greece, Egypt, Turkey, Syria, Israel, Iran, and Iraq) also have been trending downward during the past five seasons.

Between 1972/73 and 1973/74, the portion of EC imports provided by the principal Central and South American countries fell from 19 to 14 percent, while that of the Mideastern countries declined from 31 to 22 percent. However, it should be noted that increasing exports of cotton textiles from some countries probably have offset the decline in raw cotton shipments.

Not all of the gap has been taken up by the USSR, however, for the remaining suppliers—including mainly African and other Asian countries—saw their market share rise from 21 percent to 28 percent.

Pakistan and Afghanistan are the largest "other Asian" sources, while the West African franc-zone countries—including Chad, Mali, and the Ivory Coast, among others—are significant African exporting countries.

Despite the poor showing of U.S. cotton in the EC, the U.S. market share has stabilized and even increased in a small number of other European countries.

In the long run this may prove more important, because some of these textile industries—presently smaller—are growing, while EC industries are faltering.

In Portugal, the U.S. market share rose from 4 percent in 1973/74 to 12 percent in 1976/77, while there was a decline in arrivals from such traditional suppliers as Angola and Mozambique.

Portugal's cotton industry is growing after falling back severely during the recession, and consumption in 1977/78 may near the prerecession peak of 550,000 bales.

In mid-January the U.S. export commitment for 1977/78 stood at around 85,000 bales. (Much of the annual mill consumption goes into export markets as yarn and fabric, mainly to the United Kingdom and Scandinavian countries.)

If all sales are shipped before the end of the season, this would indicate a rise in absolute terms, but about the same percentage of much larger expected imports of 535,000 bales.

In mid-March, this estimate for U.S. cotton sales to Western Europe in 1977/78 was seen rising even higher to 623,000 running bales by March 5, 1978. Sales to EC markets were nearly 350,000 bales, with Italy, France, and West Germany each having purchased more than 80,000 bales. Portugal and Spain—which had bought 91,000 and 68,000 bales, respectively—remained the largest European customers outside the EC.

Over the past five seasons, Greece has imported about 100,000 bales of cotton annually. Cotton imports supplement domestically produced cotton in meeting the demand of Greece's rapidly expanding textile industry.

Greece, for political reasons, has suspended purchases of cotton from Turkey, its largest traditional supplier. As a result, imports in recent years have come largely from the United States, Israel, and Pakistan, with some extra-long staple cotton continuing to come from Egypt.

The U.S. market share of Greek imports has risen from about 10 percent in 1972/73 to about a third in 1976/77, with a similar portion of the market possible in 1977/78.

In the Scandinavian countries that do not belong to the EC—Norway, Sweden, and Finland—U.S. cotton has been successful in maintaining its dominant market position, although the size of the market has slipped, particularly in Sweden.

In 1976/77, when the United States supplied 42,000 bales to the three countries, its market share of 48 percent was equal to that of 1972/73, when 54,000 bales were supplied. The mid-January export commitment to the three countries for 1977/78 stood at more than 30,000 bales.

These cases, in both old and new markets, illustrate the success that efforts to promote U.S. cotton have met when price, quality, and availability factors match market needs.

An examination of market prospects suggests that cotton textile industry problems may be partially or temporarily overcome in the near future.

With regard to competition from manmade fibers, cotton prices have continued

European Cotton Imports, 1972/73-1977/78

[In thousands of 480-lb bales]

Year	EC	Other	Total
1972/73	4,636	1,570	6,206
1973/74	3,881	1,332	5,213
1974/75	3,707	1,203	4,910
1975/76	3,983	1,392	5,375
1976/77 estimated	3,490	1,321	4,811
1977/78 projected	3,619	1,385	5,004

U.S. and USSR Cotton Market Shares, Western Europe, 1972/73-1976/77

[Percent of total imports]

Year	EC U.S.	EC USSR	Other U.S.	Other USSR	Total U.S.	Total USSR
1972/73	17	12	15	5	16	10
1973/74	13	16	13	7	13	14
1974/75	11	17	24	5	14	14
1975/76	6	27	9	8	6	22
1976/77	10	26	19	11	13	21

to decline and are now very near polyester prices in some countries.

In the United Kingdom, for example, cotton in mid-January was priced at around 60-63 U.S. cents per pound for standard (SM 1-1/16") descriptions, while the price of polyester staple fiber was about the same.

The larger expected cotton harvest for 1977/78 is partly responsible for the price decline. However, a return to the tight-supply conditions that characterized 1976/77 could again reverse the price relationship.

Changes in the textile import picture, while for the moment less clear, may be more lasting in the long run. These changes result from increased government support for domestic textile industries and heavier resistance to higher levels of imported textiles by European countries.

In both Sweden and the Netherlands, extensive Government programs have been adopted to help domestic textile industries modernize, reorganize, and make other changes intended to make them more competitive and improve the chances for survival of at least the moderate-size firms.

Other—more permanent—changes also are apparent that may favorably affect the position of U.S. cotton in West European markets.

Over the past 2 years, U.S. cotton generally has been among the lowest priced five of 10 growths of the standard description SM 1-1/16", which are used to calculate the Cotton "A" Index.

The Soviet Union, which has made the most dramatic entry into European cotton markets, is likely to expand output and exportable surplus at a slower rate than during the recent past.

The chief production regions in Central Asia are likely to be stationary in area, since the near-term limits of water availability for irrigation are being reached.

Also, cotton availabilities from some other important supplying countries may decline as these producers divert increasing portions of their output to the domestic textile industries for processing into textiles for export or home consumption.

Lastly, the downtrend in European consumption may level off if the rate of increase of imported textiles is slowed through the new Multifiber Agreement and bilateral arrangements.

The steps recently taken by France to limit exports of certain cotton textile products and the efforts of the EC and some other European nations to open bilateral negotiations aimed at limiting imports from Far Eastern and other countries are symptomatic of new European concern over the health of domestic textile industries and the social implications for thousands of textile workers.

Despite these factors and the success of U.S. cotton in a few countries, it would be premature to predict a reversal in the downtrend of U.S. cotton's market in both relative and absolute terms in Western Europe.

The continued hesitancy of economic recovery plus competition from polyester and other manmade fibers will continue to limit cotton's potential expansion.

In addition, some of the generally favorable factors may contradict one another, producing little net effect on U.S. cotton sales.

For example, increasing European resistance to imported textiles will limit the degree to which raw cotton from outside sources is diverted from domestic industries for production of textiles for export. □

Canadians May Trim Imports of U.S. Corn

By C. E. Bray

Changes in Canada's official feedgrain policy effective in August 1976 may result in lower prices for west Canadian feedgrains relative to prices for U.S. corn—and a consequent decline in U.S. corn exports to eastern Canada.

U.S. corn exports to Canada in 1976 were valued at $75 million and accounted for 5 percent of the total value of U.S. agricultural exports to Canada.

Eastern Canada is the major Canadian market for U.S. corn, although British Columbia in recent years has expanded its imports of U.S. corn. As of June 1, 1976, eastern Canada had 62 percent of Canada's hogs, 61 percent of its poultry, and 37 percent of its cattle.

In the past 10 years, eastern Canada's production of feedgrains has been increasing, but the composition has shifted from output of oats to corn and barley.

New corn varieties that are suited to the Canadian growing season have resulted in total corn production in eastern Canada more than double that of a decade ago.

Partly because of the availability of local supplies, corn and oats are the major grains used for feed in eastern Canada. But feed requirements cannot be met by local production alone: Between 1966/67 (August-July) and 1975/76, from 32 to 52 percent of eastern Canada's feed use of grains was met by shipments of wheat, oats, or barley from western Canada or by corn from the United States.

The U.S. share of total shipments of feedgrains to eastern Canada (from the United States and western Canada) is determined chiefly by the price of U.S. corn relative to prices of west Canadian feedgrains in the east Canadian market.

Because feedgrain costs are a major factor in livestock production costs, any changes in feedgrain prices could have a significant impact on U.S.-Canadian trade in livestock and livestock products.

Canadian feedgrain policy has passed through several developmental stages since its inception in 1973. Following an interim policy that prevailed during part of 1973/74, Phase I of the

Based on the author's study, *Canadian Feedgrain Policy*, published by USDA's Economics, Statistics, and Cooperatives Service. Ms. Bray is a foreign regional analyst in ESCS.

"The corn competitive price for western feedgrains . . . is based on the relative feeding values of west Canadian feedgrains and U.S. corn as derived from the value of energy and protein contained in each of the individual grains."

policy was in effect during 1974/75 and 1975/76, and Phase II had been in effect since August 1976.

Prior to 1973, the Canadian Wheat Board (CWB) was the sole outlet for prairie-produced feedgrains destined for interprovincial and international trade.

Grain traded within a province between producers and feeders was regarded as the non-Board market for feedgrain. With the introduction of the interim feedgrain policy in 1973, restrictions on interprovincial trade of feedgrains were removed in the Prairie Provinces, although the CWB maintained control of prairie-produced feedgrains sold elsewhere in Canada.

The CWB price at which prairie-produced feedgrains were sold domestically, however, was tied to the price of feedgrains on the non-Board market.

A long-term feedgrain policy—Phase I—came into effect in August 1974. The stated objectives of the policy were to provide fair and equitable prices for feedgrains across Canada, to provide relief to feedgrain producers against relatively low feedgrain prices, and to encourage growth of livestock and feedgrain output in Canada according to the natural endowment and suitability of factors of production in various regions.

Feedgrain users throughout Canada were given direct access to western grain. The remaining restrictions on interprovincial movement of feedgrains were removed, and responsibility for domestic merchandising throughout Canada of feedgrains produced in the Prairie Provinces was extended to the private grain trade.

Western elevator companies were permitted to purchase and sell feedgrains in the domestic market. Responsibility for licensing of feedgrain handling companies, brokers, and others who purchased feedgrains for consumption outside the Prairie Provinces was delegated to the Canadian Livestock Feed Board (CLFB), which was empowered to intervene as a buyer and seller of feedgrains in non-Board grain transfer business.

Not only did CWB retain control over feedgrain sales for export and domestic nonfeed purposes, but it also remained in control of feedgrain transportation coordination.

In addition, the CWB was obligated to assure delivery of grain, for domestic purposes, to Thunder Bay within a specified interval following a request for delivery.

The Board also was authorized to switch grain to assure delivery and make efficient use of railroad equipment. Grain switching involves the paper exchange of non-Board grain in country elevators for CWB grain of like kind and grade already in terminal position at Thunder Bay. At times, the Board found it more practicable to switch grain rather than move it to terminal position in time for grain companies to fulfill contracts.

To assure availability of feedgrains in eastern Canada and a degree of stability in feedgrain prices, a reserve stock of 272,000 tons of feedgrains was set up at Thunder Bay from stocks accumulated by the CWB.

The conditions under which these stocks could be released were determined by a committee of members from the CWB, CLFB, and the Canadian Grain Commission (CGC). Storage and interest charged on the reserve were paid by the Federal Government.

The Winnipeg Commodity Exchange, whose prices reflect Canadian feedgrain market conditions, became the price-finding mechanism for non-Board feedgrains.

During Phase I of the policy, feedgrains were available to Eastern Canada through several channels—the Winnipeg market, at market-determined prices; the CWB, at a price determined by the CWB; and through direct purchase from west Canadian producers.

Phase II began in August 1976, when the CWB, which had been selling feedgrains domestically at its export price, began offering feedgrains at Thunder Bay at prices competitive with U.S. corn in Montreal.

While the CWB did not define "competitive," it can be inferred to mean at least a reduction in the prices of western feedgrains relative to the price for U.S. corn.

The corn-competitive price for western feedgrains is determined by a specific procedure or formula developed by the CWB and the CLFB. It is based on the relative feeding values of west Canadian feedgrains and U.S. corn as derived from the value of energy and protein contained in each of the individual grains.

In addition to oats, wheat, barley, and corn, the formula incorporates soybean meal as an indicator of the protein value. The value of units of protein and energy is determined from the relationship between the price of soybean meal and U.S. corn at Montreal. (The Montreal price of U.S. corn is the Chicago price plus transportation and handling charges to Montreal converted to Canadian dollars plus an 8-cent-per bushel import duty.)

The feeding values of west Canadian oats, wheat, and barley in relation to corn therefore vary according to the market prices of corn and soybean meal, which are used together to achieve an energy balance in feeding rations comparable to what would be achieved if wheat,

Feedlots in Canada, such as this, may expand their purchases of Canadian feedgrains and trim their use of U.S. corn as a result of changes in Canada's official feedgrain policy.

oats, or barley were used.

For example: If the Montreal prices for soybean meal and U.S. corn were $282.19 per ton and $130.69 per ton, respectively, the meal corn price ratio is 2.2:1.

Taking the values for wheat, barley, and oats in relation to corn for a 2.2:1 soybean meal/corn price ratio as determined from the formula, the derived Montreal prices for Canadian feedgrains are $138.53 per ton for wheat (106 percent of $130.69), $124.16 per ton for barley (95 percent of $130.69), and $117.62 per ton for oats (90 percent of $130.69).

Once the corn-competitive prices for west Canadian feedgrains have been determined for Montreal, the CWB selling price for Thunder Bay is found by deducting the cost of transportation from Thunder Bay to Montreal.

Thus, wheat's price is $127.88 per ton ($138.53 minus $10.65); barley, $114.24 ($124.16 minus $9.92); and oats, $108.07 ($117.62 minus $9.55).

The CWB price is, in effect, the ceiling price for west Canadian feedgrains. Feedgrains still may be purchased from the Winnipeg or local markets, but unless non-Board market prices for feedgrains remain less than CWB feedgrain prices, the CWB will become the only source of west Canadian feedgrains in east Canadian markets.

At the same time the CWB introduced its new pricing procedure, feed freight assistance (a subsidy paid on the cost of transporting west Canadian grains to points east of Thunder Bay) was removed from the shipment of feedgrains to points in eastern Canada west of Montreal and reduced on shipments to central Quebec and the Atlantic Provinces.

However, the removal of this subsidy on feedgrain transportation would not necessarily raise the price of Western grains in eastern Canada because the CWB deducts the cost of transportation from its corn-competitive Montreal price to determine the Thunder Bay base price.

Under the feed freight assistance program, a subsidy of about $6 per ton was deducted from the price of western feedgrains in Montreal. Since the removal of the feed freight assistance program in 1976, approximately $10.65 per ton for wheat, $9.55 for oats, and $9.95 for barley have been deducted from the Montreal-formula-determined prices to arrive at the Thunder Bay base prices of CWB grains sold in the eastern market.

If the full cost of transportation were included in the price of western feedgrains in the east Canadian market, its effect on the price of feedgrains in eastern Canada would determine whether east Canadian livestock feeders used west Canadian feedgrains or U.S. corn.

Eastern Canada could continue producing livestock with U.S. corn at the expense of west Canadian feedgrain sales. But if transportation costs were effectively reduced on the price of western feedgrains, the use of west Canadian feedgrains in eastern Canada would, in fact, be encouraged.

Econometric analysis indicates that a 5 percent decline in the price of west Canadian feedgrains in eastern Canada in relation to the price for U.S. corn—other factors remaining constant—will reduce the U.S. share of eastern Canada's feedgrain imports by about a third. □

Brazil's Corn Estimate Lowered

With continued drought in southern Brazil, the estimate of the corn crop to be harvested beginning in April has been reduced from 17.5 million metric tons to 16 million tons, and further losses are possible.

The consensus is that there will be no corn exports during the 1978/79 (April-March) marketing year, compared with exports of 1.3 million tons in 1977/78.

Some corn imports later in the year are likely. The need to import corn could be minimized by higher domestic prices, which could lure corn normally consumed on farms into the market.

The estimate of rice production has been reduced to 7.5 million tons from 8 million tons last year. □

Syria's Agriculture Expands, But Food Imports To Continue

The long-term outlook for Syrian agriculture continues to be very promising because of the expansion in local requirements and heavy public investment in agricultural production and marketing infrastructure.

However, it is doubtful if Syrian agriculture can keep pace with expanding demand for high-protein foods in the near future. Thus, it is expected that Syria will have to supplement its needs by imports for many years to come.

While the Syrian economy showed signs of stagnation early in 1977, by the end of the year its real growth was estimated at 4-5 percent for the year.

In general, 1977 was a year of mixed results for Syrian agriculture. Some crops showed average-to-poor results, while others approached record levels.

Latest estimates indicate the 1977 Syrian wheat crop—the country's most important cash crop—reached only 1 million metric tons, compared with nearly 1.8 million tons in 1976. The barley crop of 1977 was a very poor one—350,000 tons—compared with a record 1 million tons in 1976. The lentil crop last year, however, was the second largest on record and totaled 140,000 tons.

The results of these crop outputs reflect the moisture situation in Syria in 1977; good rains early in the season and in the western part of the country, and poor rains in the barley areas meant poor rainfall in the steppe and the heavier pasturing on barley fields, some of which might have produced a small crop if allowed to grow to maturity.

Syria imports wheat and flour to supplement domestic supplies. Flour imports in 1977 were expected to total 190,000 tons, compared with 130,000 tons in 1976. Principal suppliers were Italy and the Netherlands. Some 325,000 tons of Canadian and U.S. wheat were expected to be imported in 1977, whereas none was imported in 1976.

Lentils became Syria's second most important export crop in 1976 when 21,800 tons, valued at $11 million, were shipped to Egypt. Exports in 1977—again mostly to Egypt—were expected to double. In September 1977, an exportable surplus of 100,000 tons of lentils was on hand.

Syrian farmers have discontinued growing rice and some 84,000 tons were expected to be imported in 1977, of which 44,000 tons were from Egypt, 29,500 tons were from the United States (financed by Public Law 480, Title I), and 10,000 tons were from the People's Republic of China. Syria's 1978 rice requirements probably will continue at the 1977 level.

Another of Syria's most important export crops in 1977—cotton—is estimated at 390,000 tons of seed cotton, down less than 3 percent from the crop of 1976. Irrigated cotton area was up 2.4 percent in 1977, but prolonged high temperatures during July and August cut potential yields. The slight increase in cotton area is attributed to a 17-percent gain in prices offered to farmers for cotton by the Government's Cotton Marketing Organization. According to the current 5-year plan, irrigated cotton area is expected to drop slightly, while the crop is expected to remain at the 400,000-ton mark until 1980.

Syria's 1977 sugarbeet crop is estimated at 310,000 tons. Not all of the 1977 crop will be delivered to processing factories, however; an estimated 40,000 tons will be used for livestock feed.

Official trade statistics indicate 1976 raw sugar imports at 126,800 tons and refined sugar imports at 57,300 tons. Although the volume was up 28 percent over year-earlier levels, the combined value was lower. Nevertheless, sugar imports in 1976—at $80.8 million—were the equivalent of one-fourth of Syria's agricultural imports.

The Syrian poultry industry is in the midst of a major expansion. The private sector is responsible for most of the development that has seen egg production increase to 700 million eggs in 1976, compared with less than half that amount (on the average) during 1970-74. Production in 1977 was placed at 750 million eggs.

Many commercial broiler production units have been built during the past few years. The result has been an increase in broiler output to 13.8 million broilers in 1976—60 percent more than in 1975. Poultry meat production in 1977 is estimated at 22,100 tons—25 percent greater than in 1976.

Syria's livestock production is undergoing slow expansion. Syrian statistics for 1976 place the total cattle population at 766,300 head—only a 3-percent increase over the 1975 estimate. The 1976 milking herd was estimated at 257,000 head—a gain of 6 percent over year-earlier levels.

Sheep continued as a major source of milk production during 1976, with the 285,000 tons of milk produced accounting for 43 percent of domestic production (sheep, cow, and goat). The registered and inspected slaughter of livestock in 1976 included 1.16 million sheep, 84,000 cows and calves, and 61,000 goats. The sheep slaughter was 12 percent greater than that of 1975, but still considerably below the 1.5 million-1.7 million head averaged annually during 1970-73.

The value of Syria's agricultural exports increased sharply in 1976 to $242 million, 45 percent greater than year-earlier totals. Cotton exports were up 15 percent in volume. But it was higher cotton export prices that contributed the most to the sharp increase in Syria's export values. (Cotton accounted for two-thirds of the agricultural export trade.)

A substantial increase in exports of lentils was anticipated for 1977 as well. Other important export items were leaf tobacco, wool, barley, hides and skins, animal intestines, apricot paste, cotton linters, oilseed meal and cake, and peanuts.

The value of Syria's imports of food and agricultural products in 1976—at $334 million—was practically unchanged from that of

Based on a report from Office of U.S. Agricultural Attaché, Damascus.

a year earlier. The outlook for 1977 was for an increase of 10 percent and possibly more as rises in wheat and flour imports could add over $45 million to the 1977 import bill.

After raw and refined sugar, rice was the second most important item, followed by wheat flour, unmanufactured tobacco, butter oil, tea, fresh oranges, powdered milk, cheese, and bananas.

The United States became the top supplier of agricultural products to Syria in 1976, with rice, tobacco, corn, soybean oil and meal, and vegetable seeds the principal U.S. commodities imported. About two-thirds of the U.S. rice shipments, one-fourth of the tobacco, and nearly all the soybean oil were financed on a concessional basis.

Syrian imports of U.S. products in 1977 were to fall considerably from 1976 levels owing to lower commercial purchases of U.S. tobacco and rice. The United States is unable to take advantage of Syria's expanding flour market because European shippers have a freight cost advantage.

The lack of suitable bulk facilities puts U.S. suppliers of corn and soybean meal at a disadvantage because of higher costs associated with handling these commodities in bags.

As it does not import Syrian cotton or lentils, the United States is a minor market for Syrian farm goods other than tobacco. As of September 1977, the value of U.S. imports of Syrian agricultural products was $5 billion—24 percent greater than in the same period a year earlier. Oriental tobacco accounted for 84 percent of the above 1977 imports, with wool, sheepskins, and apricot products accounting for most of the balance. □

Japan Spells Out Makeup of Beef Quotas

The Japanese Government announced the breakdown of the special beef quotas for the second half of Japanese fiscal year (JFY) 1977 (April 1977-March 1978) as follows, with first half quotas in parentheses: Hotel quota, 1,500 tons (500); school lunch quota, 1,400 tons (800); Okinawa quota, 2,500 tons (2,700); and boiled beef quota, 2,100 (1,000). Thus the total quantity of specialized beef quotas for the second half of JFY1977 is 7,700 tons, bringing the total of JFY 1977 specialized quotas to 12,500 tons.

The United States supplies beef primarily under the hotel and general beef quotas. The general beef quota for JFY1977 had been announced previously at 80,000 tons. Additionally, 2,500 tons, which were not utilized under the second half of JFY1976 quota, were added to the 1977 total without specific announcements as to category.

Meanwhile, following representations by the Australian Cattlemen's Union (ACU,) the Australian Meat Employee's Union (AMEU) agreed to lift its ban on exports of live cattle to Japan. This agreement, effective from January 1, 1978, stipulates that only cattle belonging to ACU members are eligible for export under the agreement. This will be the first time since May 1974 that Australian cattle will be allowed to be shipped to Japan.

The agreement has brought sharp protests from other Australian cattle groups that claim it is a case of discrimination, and possibly illegal.

The types of cattle sought will be slaughter cattle for final finishing in Japan, and young feeder cattle. The ACU agreed to limit to 1,600 head per month the number of live cattle to be exported to Japan so that Australian processing employees would be protected from any shortages of cattle that would endanger their jobs. The total number of cattle which could be shipped per year under the agreement is 19,200 head.

However, total Japanese cattle imports in recent years, have been less than 10,000 head, primarily because of limited quarantine space. The United States exported 7,562 head of cattle to Japan in 1977, mostly slaughter cattle. □

U.S. Swine To Be Shown In Italy

Preparations are being made by U.S. swine breeding organizations and other FAS cooperators to participate in the Reggio Emilia International Swine Exhibition, April 28-May 1.

The oldest and most important swine exhibit in Italy, the Reggio Emilia show usually puts U.S. breeding swine in competition with animals from France, Denmark, Austria, Germany, Canada, Belgium, and Northern Ireland. Sales of U.S. breeding swine usually are sizable, both at the exhibit and afterward.

Onsite sales during the 1977 exhibition amounted to some $25,000 and additional sales of between $400,000 and $450,000 were expected to result during the following 12 months.

During 1976, 1,373 head of breeding hogs, valued at $686,500, were inspected for export to Italy. Preliminary export data for 1977 indicate shipments to Italy of 433 head, valued at $144,350. This downturn reflects the political and economic uncertainties with which Italian producers must cope.

However, one Italian breeder has suggested that Italy has an import potential of more than 1,200 American breeding swine a year.

Some 42,000 persons visited the 1977 exhibition, of which about 80 percent visited the U.S. Pavilion. Many were Italian swine producers, breeding farm operators, swine importers, and national, regional, and local government officials capable of influencing the purchase of quality U.S. animals.

The exhibition also included a number of seminars dealing with environmental and management problems connected with pig production, pig feeding, and, particularly, feeding in the European Community with its own unique set of problems and solutions.

Swine exhibited at the Reggio Emilia show were of the Hampshire, Spotted, Duroc, and Yorkshire breeds. Participating in the 1977 Reggio Emilia show were representatives of State Agricultural Departments in several swine producing States, the U.S. Feed Grain Council, and the American Soybean Association. □

U.S. Mint Oil Exports Continue at High Level

By Gordon E. Patty

Rising world consumption such tangy products as candy, chewing gum, toothpaste, and mouthwash is generating trendline growth in production and export of peppermint and spearmint flavoring oils by the United States, the largest producer of these oils.

Exports of U.S. peppermint and spearmint oils climbed steadily after 1972, reaching a record $44.2 million value for 1976 and a marginally smaller $44.1 million for 1977.

Although U.S. peppermint oil exports of $31 million in 1977 were below 1976's record-setting pace, spearmint oil exports, at $13.1 million, were slightly ahead.

Peppermint and spearmint crops grown in the United States are produced principally in Washington, Oregon, and the Midwest. Peppermint oil is derived from several varieties of the peppermint plant, while U.S. spearmint is produced in native and Scotch varieties.

The only major natural competitor of these U.S. mint oils is the cornmint oil produced in Brazil and Paraguay. Brazilian cornmint oil is much cheaper than U.S. peppermint oil, but is comparatively bitter and harsh. As a result, cornmint oil is usually blended with U.S. peppermint oil to improve quality.

Most of the increase in production of U.S. mint oil is the result of expanded area, rather than higher yields, as prices have moved upward.

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The main emphasis by U.S. producers has been on slowing the rise in costs. New production methods are steadily being developed and put into use by American mint farmers.

Formerly, many U.S. mint producers owned and operated their own distilleries, but today one farmer owning a large distillery may service several neighboring producers.

In 1977, output of U.S. mint oils was about 2,000 metric tons of peppermint oil and 1,000 tons of spearmint oil. A large proportion of the spearmint oil is of the Scotch variety, which brings a higher price.

U.S. producers of peppermint oil at the close of the 1977 harvest were obtaining about $31 per kilogram for peppermint oil, $32 for Scotch spearmint oil, and $19 for native spearmint oil. At these prices, producers were covering costs and earning a fair return on investment.

Data on U.S. stocks of mint oil are not available. However, it is known that U.S. stocks were relatively low in 1976 because of strong domestic and export demand.

Since production was considerably higher in 1977 and exports remained at about the same level as in 1976, U.S. mint oil stocks at the end of 1977 were an estimated 50 percent larger than at the start of the year.

U.S. imports of mint oil also are trending upward. Most of this volume is cornmint oil, and the rest is peppermint oil. Mixtures of cornmint (or fieldmint) and peppermint oils must by law be descriptively labeled when sold in the United States.

Experiments are now being conducted for growing cornmint in the United States, including development of varieties that will grow satisfactorily in this country.

Expanding demand and higher prices for mint oils are stimulating searches for substitute oils. Some inroads are being made by synthetic spearmint oil, but peppermint oil is difficult to duplicate.

Both domestic and export markets for U.S. mint oils are well established and are expected to hold their respective positions. Overseas buyers continue to be willing to pay higher prices for U.S. mint oils. The quantity exported is expanding gradually, while the value of these exports continues to rise fairly rapidly.

Markets for U.S. mint oils are widely distributed. During 1977, the United Kingdom was the leading market for U.S. peppermint oil, followed by Japan, France, West Germany, Mexico, the Netherlands, and Canada.

In the past, peppermint oil from Washington's Yakima Valley led in preference among foreign buyers, especially those in Western Europe. However, buyer preferences are shifting, and the total quantity of U.S. peppermint oil now exported is more than double the volume of oil produced in the State of Washington.

Japan's total imports of cornmint oil have been increasing, while its imports of peppermint oil (practically all from the United States)

have gradually declined.

In foreign markets for spearmint oil, buyers apparently prefer Scotch spearmint oil, since the average export price for all spearmint oil—about $29 per kilogram—was nearer the Scotch spearmint oil producer price of $32 per kilogram than the $19-per-kilogram price for native spearmint oil.

Among foreign producers of cornmint oil, Paraguay is rapidly replacing Brazil as the leading source. Paraguay's output of cornmint oil rose from 600 tons in 1975/76 to 1,000 tons in 1976/77 and to 1,200 tons for 1977/78, while Brazil's cutturns declined from 2,700 tons in 1975/76 to 1,700 tons in 1976/77 and 900 tons for 1977/78.

Paraguay is actively seeking export markets for its cornmint oil, and in 1976 replaced Brazil as the leading supplier to Japan. In Brazil, some production area formerly in cornmint has been planted to soybeans.

The United States, Brazil, and Paraguay are the leading exporters of mint oil.

No other countries producing mint oil for export in significant quantities. □

U.S. Exports of Mint Oils— Average, 1967-69; Annual, 1970-77

Year	Quantity	Value	Unit value
	Metric tons	*1,000 dol.*	*Dol. per kilogram*
1967-69 average	762	10,467	13.74
1970	1,117	14,349	12.85
1971	1,537	17,030	11.08
1972	1,392	16,112	11.57
1973	1,592	21,663	13.61
1974	1,442	27,381	18.99
1975	1,118	29,642	26.51
1976	1,521	44,220	29.07
1977	1,369	44,145	32.25

Correction: "U.S., Mexico Sign First Trade Agreement" (March 13, 1978). Page 7, column 3, paragraph 1, period for concessions on fresh mangoes should be Nov. 1-March 31. Page 8, top table, the period for fresh mangoes should also reflect this change.

Ireland Ups Dairy Exports

A substantial boost in Ireland's autumn milk production pushed total output of milk for manufacturing in calendar 1977 9 percent above the year-earlier level to about 4.1 million metric tons.

In line with increased production, exports of whole milk powder and casein rose substantially during 1977—whole milk powder from 9,157 tons in January-September 1976 to 20,313 tons in the comparable 1977 period and casein from 2,500 tons to 3,700 tons during the same period. Brazil and Taiwan were the most important customers, taking 8,700 and 2,500 tons, respectively, during 1977.

Despite lower output during 1977, exports of nonfat dry milk (NFDM) also were up from the year-earlier level, rising 46 percent to 137,025 tons in the January-September period.

The Netherlands took the largest share (53,000 tons), while Mexico took 33,000 tons and Brazil 17,000 tons.

Since the Netherlands has ample supplies of domestic produced NFDM, the likelihood is that exports to that country were to take advantage of the more favorable EC intervention (price support) arrangements in that country.

The United Kingdom continued to take most of Ireland's cheese exports. Butter exports, which normally move principally to Britain, went to a wider range of countries in 1977, particularly to South America and Asia, although the United Kingdom still took about half the total.

A further 6-7 percent gain in Irish manufacturing milk production is forecast for 1978, reflecting improved output per cow and some increase in the herd.

The Irish Dairy Board sees the additional production being utilized in cheese, whole milk powder, NFDM, and casein. Use of milk for fluid outlets is likely to rise only marginally.

The European Community's system of premiums for nonmarketing of milk (dairy herd conversion scheme) is expected to have little effect in reducing Ireland's dairy herd numbers. Farmers availing themselves of the scheme's provisions are likely to be those who had been planning to leave the dairy industry in any event. □

International Meetings—April

Date	*Organization and location*
To be set	OECD Committee for Agriculture—Paris.
10-21	FAO/UN Committee on Food Aid Policies and Programs—Rome.
13-28	FAO-WHO Codex Alimentarius Commission—Rome.
24, 25	OECD Working Party on Meat—Paris.
24-28	FAO Committee on World Food Security—Rome.

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Thomas R. Hughes, Administrator, Foreign Agricultural Service.

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Soybean, Cotton Export Sales Up, Wheat Activity Modest

The Office of the General Sales Manager, USDA, reported the following U.S. export sales of key farm commodities for the week ending March 5 (based on reports from exporters unless otherwise noted):

Wheat: New sales activity continued at a modest pace. Pakistan, under P.L. 480 provisions, was the largest buyer. Significant sales also were reported to Japan, Brazil, and the Philippines. Sales to the USSR declined for both the current marketing year (MY) and MY 1978/79, as a result of sales cancellations and destination changes. However, MY 1978/79 purchases by Poland, Israel, Peru, and Brazil nearly offset the Soviet cancellations. Iranian wheat purchases of 150,000 metric tons for this marketing year and 30,000 tons for MY 1978/79 were reported under the daily system. Sales of 26,300 tons of Soft Red Winter wheat were switched from previously unknown destinations to the USSR and shipped. Exports increased moderately after several disappointing weeks.

Corn: Sales activity (731,800 tons) retreated from the preceding week's heavy pace. The most notable features were purchases by Greece, Japan, and Poland. Numerous other countries also added to existing contracts. Italy, West Germany, and several other countries were named as destinations on sales previously reported to unknown destinations. Assignment of destinations more than offset new sales to unknown destinations. Exports of 1,035,300 tons were nearly double week-earlier performance and were the second highest this marketing year.

Sorghum: Market activity continued light for the second consecutive week with sales of 55,900 tons to Poland the highlighted activity. Exports continued at a moderately heavy pace.

Rice: Commercial export interest was the heaviest in weeks. Iraq added 33,000 tons. Exporters reported rough-rice sales of 15,000 tons to Italy for MY 1977/78 delivery. Senegal, a major buyer of broken rice, added another 5,000 tons, bringing its total purchases for the marketing year to 84,700 tons.

Soybeans: Sales activity (683,300 tons), led by a 376,100-ton increase in sales to the European Community (EC) and a 184,700-ton increase in sales to unknown destinations, was the second heaviest for MY 1977/78. Sales for 1978/79 rose by 117,200 tons with purchases by the EC, Japan, and unknown destinations. Exports (281,900 tons) were down considerably from the previous week's level with the EC, Japan, Spain, and the USSR the primary recipients.

Soybean cake and meal: Sales of 60,000 tons to Poland were the mainstay as sales (138,500 tons) recovered from the preceding week's dip. Several sales were reported for 1978/79. The EC (125,500 tons) and other West European countries (40,600 tons) accounted for over 82 percent of the 201,400 tons exported.

Soybean oil: P.L. 480 sales to Pakistan (15,000 tons) and continued commercial sales to India (6,500 tons) made up the bulk of the net new sales of 32,800 tons. Mexico (5,400 tons) and Israel (2,500 tons) made initial purchases. Most of the exports (16,200 tons) went to India and Iran.

Cotton: Sales activity regained its prior robust level after the previous week's lull. Sales of 86,100 running bales for MY 1977/78 were primarily to the People's Republic of China (21,500 bales), Hong Kong (15,200 bales), Bangladesh (15,000 bales), and Japan (11,500 bales). Sales of 72,200 bales for MY 1978/79 were principally to Japan, Korea, and Taiwan. Exports of 180,400 bales (85 percent to Asian destinations) were at a new high for the marketing year.

Barley and oats: No significant activity. □

Prepared by USDA's Office of the General Sales Manager. For additional information telephone (202) 4-7-9209.